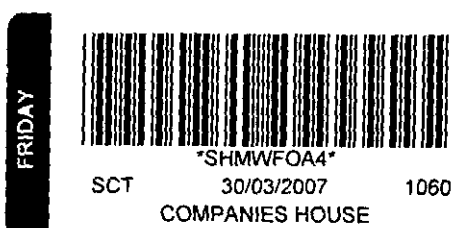


PEOPLES LIMITED

Report and Financial Statements

31 July 2006



PEOPLES LIMITED

REPORT AND FINANCIAL STATEMENTS 2006

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PEOPLES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Brian P Gilda (Chairman and Managing Director)
Stewart M Ramsay

SECRETARY

Stewart M Ramsay

REGISTERED OFFICE

Callendar Road
Falkirk
FK1 1SQ

BANKERS

Bank of Scotland
The Mound
Edinburgh
EH1 1YZ

SOLICITORS

Maclay Murray & Spens
151 St Vincent Street
Glasgow
G2 5NJ

INDEPENDENT AUDITORS

Deloitte & Touche LLP
Edinburgh

PEOPLES LIMITED

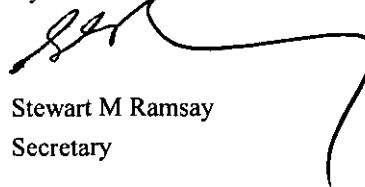
NOTICE OF MEETING 2006

Notice is hereby given that the twenty third annual general meeting of the company will be held at Callendar Road, Falkirk, FK1 1SQ on Thursday, 23 November 2006 to transact the following business

- 1 To receive and adopt the directors' report and financial statements for the year ended 31 July 2006 together with the auditors' report
- 2 To re appoint auditors of the company and to authorise the directors to fix their remuneration for the ensuing year
- 3 To transact any other ordinary business of the company

Callendar Road
FK1 1SQ

By order of the Board



Stewart M Ramsay
Secretary

12 October 2006

PEOPLES LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 July 2006

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The group comprises the holding company and its wholly owned subsidiaries as detailed in note 3. The group's principal activities are the sale and repair of motor vehicles and all normal activities associated therewith. There have not been any significant changes in the group's principal activities in the year under review and the directors are not aware, at the date of this report, of any likely major changes in the group's activities in the next year.

The group continues to invest in its dealership facilities in order to meet the standards required by our manufacturer partners and further investment will continue in the forthcoming year.

As shown in the consolidated profit and loss account on page 11 the group turnover decreased by 5.2% over the prior year. This decline is a consequence of a conscious decision to scale back high value but low margin activities. This is reflected in the group's profit on ordinary activities before taxation and preference share dividends increasing by 137% over the prior year level and thus vindicates the above decision.

The Group's effective tax charge, excluding the effect of preference share dividends, has increased from 25% to 32% as a consequence of the increase in the profit before tax, which has resulted in the majority of the group's profits being taxed at the full, rather than the small companies', tax rate.

The consolidated balance sheet on page 9 of the financial statements shows a continuing improvement in the group's financial position both in terms of net assets and cash. Specifically, there is no longer a requirement for the group to repurchase vehicles under the Motability scheme which reduces current assets by £14.5 million, current liabilities by £4.8 million and creditors due after more than one year by £9.7 million.

The group continues to positively manage its cash and has produced a net cash inflow for the year of £0.6 million on top of the £9.6 million inflow achieved over the previous two years. The group's bank overdraft has been eliminated and there is £0.88 million of cash at the year end. Indeed for a large part of the year the group was cash positive.

The group's net debt has reduced by £1.4 million during the year and by £12.9 million over the past three years.

There have been no significant events since the balance sheet date.

The group controls its operations largely through a careful monitoring of gross profit levels together with particular attention being directed at the use of assets and cash. The group's net interest payable has reduced from £0.26 million to £0.21 million, a reduction of 20%.

Following the adoption of FRS 25 'Financial Instruments: disclosure and presentation' during the period, preference share capital has been reclassified as debt and is disclosed within the financing section of the balance sheet. The dividends on the preference shares of £337,500 have been reclassified to finance costs.

PRINCIPAL RISKS AND UNCERTAINTIES

The group sells new vehicles for both Ford and Mazda, our manufacturer partners, and is dependent on the public's perception of the quality and suitability of their product range compared to the market as a whole. The group is also a significant retailer of used vehicles.

The Group is not dependent on any single customer in any area of its business, the loss of which would have a significant impact on its results.

The Group purchases and sells entirely within the United Kingdom and accordingly has no foreign exchange exposure.

PEOPLES LIMITED

DIRECTORS' REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

The Group is financed by a combination of stocking finance, term loans and overdraft facilities. At the year end over 90% of the group's net debt was in the form of stocking finance which is secured over the group's vehicle stocks. The group has significant headroom in terms of unutilised overdraft facilities to meet its current and future anticipated requirements. All of the group's net debt costs are linked to finance base rates but the interest rate exposure taking account of recent interest rate movements is not significant to the group's results.

FINANCIAL RISK MANAGEMENT

The group's principal financial assets are bank balances and trade debtors. The group's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of provisions for doubtful debts. The group has no significant concentration of credit risk, with exposure spread over a number of customers. The group's principal financial liabilities comprise a bank overdraft, term loan, trade creditors and accruals, all of which are paid on standard terms of payment. The credit risk of liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The group does not enter into any derivative transactions.

ENVIRONMENT

The group recognises the importance of its environmental responsibilities and designs and implements policies to reduce any damage that might be caused by its activities. Initiatives designed to minimise the group's impact on the environment include the safe disposal of waste, recycling and investing money in energy efficiency equipment.

EMPLOYEES

The group has a policy of equal opportunities which applies in relation to recruitment of all new employees and to the management of existing personnel. The group offers all of its staff training relevant to their roles and believe this has contributed positively to the group's results.

Details of the number of employees and related costs can be found in note 16 to the financial statements.

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

EMPLOYEE CONSULTATION

The group places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

PEOPLES LIMITED

DIRECTORS' REPORT (CONTINUED)

DIVIDENDS

Dividends paid and proposed are as follows

	First preference shares £	Fourth preference shares £	Ordinary shares £
Paid – 31 July 2006	75,000	262,500	
	75,000	262,500	
2006 – Dividend per share	7 5p	3 75p	
2005 – Dividend per share	7 5p	3 75p	

DIRECTORS AND THEIR INTERESTS

	Number of 10 pence deferred shares at		Number of 10 pence ordinary shares at	
	31 July 2006	31 July 2005	31 July 2006	31 July 2005
Brian P Gilda	89,398	89,398	160,512	160,512
Stewart M Ramsay	21,387	21,387	28,703	28,703

No director has any beneficial interest in the preference shares

AUDIT INFORMATION

Each of the persons who is a director at the date of approval of this report confirms that

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- (2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

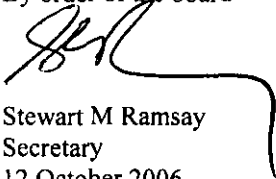
This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

AUDITORS

A resolution to re appoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors

By order of the board



Stewart M Ramsay
Secretary
12 October 2006

STATEMENT OF DIRECTORS' REPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare accounts for the company and the group in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP"). Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view in accordance with UK GAAP of the state of affairs of the company and of the group and of the profit or loss of the company for that period and comply with UK GAAP and the Companies Act 1985. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CHAIRMAN'S STATEMENT

I am delighted to report the continued and improved Group results for this year, with the profit before tax and preference share dividends up from £0.5 million to £1.2 million. This result is all the more pleasing as the markets in which we operate remained difficult and margin sensitive.

Throughout the year the Company has achieved all the operational benchmarks and financial milestones identified by the Directors to our Shareholders, Bankers and Trading Partners.

For a greater understanding of our results, an Enhanced Business Review Summary can be found on page 3.

The Group is a founder member of The Retail Automotive Alliance (RAA) which comprises 22 like-minded independent Motor Dealer Groups, formed to promote best practice and best buying and covers the vast majority of the United Kingdom. Over time it will have a positive influence on a number of operational matters that affect the Group.

Current Trading and Outlook

We have just started a new financial year and the markets in which we operate continue to be very challenging. Notwithstanding that, we have set out our strategy for the year ahead and are confident that with the hard work of all management and staff, progress will again be achieved.

Our People

As always I would like to thank all those members of staff who worked tirelessly during the year to improve their contribution to the well-being of the Company and ask them to rededicate themselves to the year ahead. The Group has consistently sought to recruit and retain the best employees in the marketplace and this has undoubtedly contributed to our success and is a course of action which will be continued.

Support

I would like to record my gratitude to my Shareholders, Bankers and Trading Partners who as always have been supportive of both myself and the Company.



Brian P Gilda

Chairman

12 October 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PEOPLES LIMITED

We have audited the group and individual company financial statements (the "financial statements") of Peoples Limited for the year ended 31 July 2006 which comprise the consolidated and individual company balance sheets, the consolidated profit and loss account, the note of historic cost profits and losses, the consolidated cash flow statement, and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We report to you if, in our opinion, the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the individual company's affairs as at 31 July 2006 and of the group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Edinburgh

12 October 2006

PEOPLES LIMITED

CONSOLIDATED BALANCE SHEET
31 July 2006

	Note	2006 £	2006 £	2005 Restated (Note 23) £	2005 Restated (Note 23) £
NET ASSETS EMPLOYED:					
FIXED ASSETS					
Tangible assets	2		8,298,389		8,409,508
CURRENT ASSETS					
Interest in vehicle residuals					
Repurchases after more than one year					9,732,932
Repurchases within one year					4,827,500
Stocks	4		33,404,099		27,148,066
Debtors	5		7,833,103		9,702,760
Cash			880,532		479,143
			42,117,734		51,890,401
CREDITORS: amounts falling due within one year	6		(44,192,154)		(44,121,032)
NET CURRENT (LIABILITIES)/ASSETS			(2,074,420)		7,769,369
TOTAL NET ASSETS LESS CURRENT LIABILITIES			6,223,969		16,178,877
CREDITORS: amounts falling due in more than one year before financing liabilities	7	623,638	(623,638)	11,055,401	(11,055,401)
TOTAL NET ASSETS EMPLOYED			5,600,331		5,123,476
FINANCED BY:					
Financing Liabilities					
Preference shares	9	1,012,017	1,012,017	1,012,017	1,012,017
Total creditors falling due after more than one year		1,635,655		12,067,418	
Shareholders' Funds					
Called up share capital	10		30,000		30,000
Capital redemption reserve	10		171,040		171,040
Special reserve	10		576,439		576,439
Revaluation reserve	10		303,089		305,008
Profit and loss account	10		(124,426)		(603,200)
Other reserve	10		3,632,172		3,632,172
Total Shareholders' Funds	11		4,588,314		4,111,459
TOTAL FINANCING			5,600,331		5,123,476

These financial statements were approved by the Board of Directors on 12 October 2006

Signed on behalf of the Board of Directors



Brian P Gilda
Director

The accompanying notes are an integral part of this balance sheet

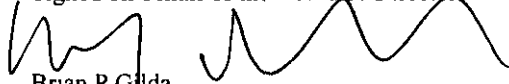
PEOPLES LIMITED

COMPANY BALANCE SHEET 31 July 2006

	Note	2006 £	2006 £	2005 Restated (Note 23) £	2005 Restated (Note 23) £
NET ASSETS EMPLOYED:					
FIXED ASSETS					
Investments	3		5,353,300		5,353,300
CURRENT ASSETS					
Debtors	5		177,503		213,389
Cash			6,857,479		6,363,190
			7,034,982		6,576,579
CREDITORS amounts falling due within one year	6		(1,680,602)		(1,843,212)
NET CURRENT LIABILITIES/ASSETS			5,354,380		4,733,367
TOTAL ASSETS LESS CURRENT LIABILITIES			10,707,680		10,086,667
CREDITORS, amounts falling due in more than one year before financing liabilities	7	136,000	(136,000)	404,000	(404,000)
TOTAL NET ASSETS EMPLOYED			10,571,680		9,682,667
FINANCED BY.					
Financing Liabilities					
Preference shares	9	1,012,017	1,012,017	1,012,017	1,012,017
Total creditors falling due after more than one year		1,148,017		1,416,017	
Shareholders' Funds					
Called up share capital	10		30,000		30,000
Capital redemption reserve	10		171,040		171,040
Special reserve	10		576,439		576,439
Profit and loss account	10		5,150,012		4,260,999
Other reserve	10		3,632,172		3,632,172
Total Shareholders' Funds			9,559,663		8,670,650
TOTAL FINANCING			10,571,680		9,682,667

These financial statements were approved by the Board of Directors on 12 October 2006

Signed on behalf of the Board of Directors


Brian P Gilda
Director

The accompanying notes are an integral part of this balance sheet

PEOPLES LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 July 2006

	Note	2006 £	2006 £	2005 Restated (Note 23) £	2005 Restated (Note 23) £
TURNOVER	13		142,953,475		150,789,440
Cost of sales			(137,007,474)		(145,932,130)
GROSS PROFIT			5,946,001		4,857,310
Administrative expenses			(4,536,600)		(4,091,475)
OPERATING PROFIT			1,409,401		765,835
Interest receivable and similar income			476,240		426,401
Interest payable and similar charges	14	(682,811)	(682,811)	(685,305)	(685,305)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION AND PREFERENCE SHARE DIVIDENDS			1,202,830		506,931
Preference share dividends	18	(337,500)	(337,500)	(337,500)	(337,500)
Total interest payable and similar charges		(1,020,311)		(1,022,805)	
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	13, 15		865,330		169,431
Tax charge on profit on ordinary activities	17		(388,475)		(125,479)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			476,855		43,952

All activity has arisen from continuing operations

A statement of movements on reserves is given in note 10

The group has recognised no gains or losses other than the profit for the current and preceding periods and, accordingly, no Statement of Total Recognised Gains and Losses is presented

The accompanying notes are an integral part of this consolidated profit and loss account

NOTE OF CONSOLIDATED HISTORIC COST PROFITS AND LOSSES
Year ended 31 July 2006

	2006 £	2005 Restated (Note 23) £
Reported profit before taxation	865,330	169,431
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	<u>1,919</u>	<u>1,919</u>
Historical cost profit before taxation	<u>867,249</u>	<u>171,350</u>
Historical cost profit after taxation and dividends	<u><u>478,774</u></u>	<u><u>45,871</u></u>

PEOPLES LIMITED

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 July 2006

	Note	2006	2005
		£	£
Net cash inflow from operating activities	19	2,531,493	3,599,725
Returns on investments and servicing of finance			
Interest received		476,240	426,401
Interest paid		(682,011)	(683,089)
Interest element of finance lease rentals and hire purchase agreements		(800)	(2,216)
Preference share dividends paid		(337,500)	(337,500)
Net cash outflow from returns on investments and servicing of finance		(544,071)	(596,404)
Taxation			
Corporation tax paid		(90,159)	(5,834)
Corporation tax recovered			349,702
Tax (paid)/recovered		(90,159)	343,868
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(682,924)	(2,413,979)
Sale of tangible fixed assets		142,234	2,928,904
Net cash (outflow)/ inflow from capital expenditure and financial investment		(540,690)	514,925
Net cash inflow before financing		1,356,573	3,862,114
Financing			
New stocking finance			650,000
Repayment of loans		(688,000)	(688,000)
Capital element of finance lease payments	21	(17,124)	(10,421)
Capital element of hire purchase payments	21	(11,234)	(18,292)
Net cash outflow from financing		(716,358)	(66,713)
Increase in cash	20	640,215	3,795,401

The accompanying notes are an integral part of this consolidated cash flow statement

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2006

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year, with the exception of the classification of preference share capital and related dividends following the adoption of FRS 25 'Financial Instruments: Disclosure and Presentation' during the year. Comparative figures have been restated accordingly (see Note 23).

Basis of accounting

The financial statements are prepared under the historical cost convention, modified to include the revaluation of land and buildings, and in accordance with applicable United Kingdom accounting standards.

Basis of consolidation

The group financial statements consolidate the accounts of Peoples Limited and its subsidiary undertakings. Goodwill representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired is capitalised and amortised on a systematic basis over the estimated useful life. Goodwill arising prior to the introduction of Financial Reporting Standard 10 ("FRS 10") has been eliminated against reserves and has not been reinstated as an asset as permitted by FRS 10.

In the company's financial statements, investments in subsidiary undertakings are stated at cost, less provision for any impairment.

No profit or loss account is presented for Peoples Limited, as provided by s230 of the Companies Act 1985. The company's profit after taxation for the financial year, determined in accordance with the Act, was £889,013 (2005 – profit (restated following the adoption of FRS 25) of £1,153,625).

Tangible fixed assets and depreciation

Tangible fixed assets are shown at cost or valuation, net of depreciation and any provision for impairment.

Depreciation is provided by the straight line method calculated to write off the cost or valuation of the fixed assets over their estimated useful lives at the following annual rates:

Freehold buildings	2%
Plant and equipment	10% and 20%
Computer equipment	25%
Motor vehicles	25% and 30%
Long leasehold buildings	2%
Other leased assets	20%

Land is not depreciated.

Revaluation of properties

The group has implemented a policy of recording certain classes of tangible fixed assets at valuation.

The group's freehold land and buildings and long leasehold properties, each of which are considered to represent a single class of assets, are revalued individually under a 5 year cycle, comprising a full valuation once every five years, an interim valuation in the third year of each cycle and a review in each other year of the cycle (followed by an interim valuation in the event that the review indicates a material change in value). The surplus or deficit on book value is transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property (or the reversal of such a deficit) is charged (or credited) to the profit and loss account. A deficit which represents a clear consumption of economic benefits is charged to the profit and loss account regardless of any previous recorded surplus.

Where depreciation charges are increased following a revaluation, where the impact is material, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement in reserves.

On the disposal of, or recognition of a provision for impairment of, a revalued fixed asset any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement in reserves.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2006

1. ACCOUNTING POLICIES (CONTINUED)

Stocks

Stocks are stated at the lower of cost and net realisable value and exclude new vehicles held on a consignment basis if the stock deposits do not directly relate to the consignment stocks held at any one time. Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Taxation

Corporation tax payable is provided on taxable profits at the current tax rate. The taxation liabilities of certain group companies are reduced wholly or in part by the surrender of losses by fellow group companies. The tax benefits arising from group relief are recognised in the financial statements of the surrendering and recipient companies.

In accordance with FRS 19, deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of investment or other properties where there is no commitment as at the period end to sell the asset.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Turnover

Turnover comprises the invoiced value of sales less value added tax and net of all credits and allowances. Revenue is recognised on the sale of vehicles when the risks and rewards of ownership are transferred. All other revenues are recognised as they are earned according to the relevant performance conditions.

Leases

The group enters into operating and finance leases.

Assets held under finance leases are initially reported at the fair value of the asset with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated over the shorter of the lease term and its useful economic life. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of charge on the outstanding balance. Rentals are apportioned between finance charges and reduction of the liability, and allocated to cost of sales and other operating expenses as appropriate. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis. Further information on charges in the year and future commitments is given in notes 12 and 15.

Retirement plan

The group operates an executive retirement plan for its executive directors. This is a defined contribution scheme. Contributions are charged to the profit and loss account as incurred. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Certain subsidiary companies each operate a company personal pension scheme on behalf of certain employees. These are defined contribution schemes. Contributions are charged to the profit and loss account as incurred.

PEOPLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2006

2. TANGIBLE FIXED ASSETS

Group

	Freehold land and buildings £	Long leasehold buildings & improvements £	Computers, plant and equipment £	Leased assets £	Motor vehicles £	Total £
Cost or valuation						
At 31 July 2005	5,018,631	1,147,864	3,614,147	1,066,471	291,479	11,138,592
Additions		214,409	293,742		174,773	682,924
Disposals					(191,165)	(191,165)
At 31 July 2006	5,018,631	1,362,273	3,907,889	1,066,471	275,087	11,630,351
Depreciation						
At 31 July 2005	222,163	29,616	1,393,704	1,032,057	51,544	2,729,084
Charge for the year	79,047	62,212	437,154	8,343	65,053	651,809
Disposals					(48,931)	(48,931)
At 31 July 2006	301,210	91,828	1,830,858	1,040,400	67,666	3,331,962
Net book value						
At 31 July 2006	4,717,421	1,270,445	2,077,031	26,071	207,421	8,298,389
At 31 July 2005	4,796,468	1,118,248	2,220,443	34,414	239,935	8,409,508

Freehold land amounting to £2,150,000 (2005 £2,150,000) has not been depreciated

Leased assets consist entirely of plant and equipment Included within computers, plant and equipment are assets obtained under hire purchase agreements with a net book value of £40,613 (2005 £49,163)

Freehold and long leasehold land and buildings were professionally valued at Existing Use Value (in which case notional directly attributable acquisition costs have not been included as they are not considered to be material) by Graham & Sibbald, Chartered Surveyors who are external to the company

The valuation, undertaken as at 31 October 2003, on properties still held at 31 July 2006 was £5,250,000 The directors are not aware of any material change in the value of the previously revalued assets and therefore the valuation has not been updated

If land and buildings had not been revalued they would have been included at the following amounts

	2006		2005	
	Freehold land and buildings £	Long leasehold buildings & improvements £	Freehold land and buildings £	Long leasehold buildings & improvements £
Cost	5,032,613	1,318,860	5,032,613	1,104,451
Depreciation	(494,906)	(175,780)	(415,580)	(114,436)
Net book value	4,537,707	1,143,080	4,617,033	990,015

Company

The company has no tangible fixed assets (2005 £Nil)

PEOPLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2006

3. FIXED ASSET INVESTMENTS

Company	Ordinary shares £	Preference shares £	Long term loan stock £	Total £
At 31 July 2005 and 2006	4,300	1,000,000	4,349,000	5,353,300

Fixed asset investments at 31 July 2006 relate to interests in subsidiary undertakings held directly by the company

There were no additions or disposals of fixed asset investments in the year

Loan stock due from subsidiary undertakings is repayable in 12 six monthly instalments from 1 July 2008

All of the company's subsidiary undertakings are wholly owned and are registered in Scotland. The subsidiary undertakings comprise

Company	Principal activity
Peoples Ecosse Limited	Sale and repair of motor vehicles
Peoples Liverpool Limited	Sale and repair of motor vehicles
Total Vehicle Solutions Limited	Sale of motor vehicles
Peoples Bathgate & Livingston Limited	Non trading
Liverpool Daily Centre Limited	Non trading
Peoples Detroit Limited	Non trading
Peoples Falkirk Limited	Non trading
Peoples Glasgow Limited	Non trading

4. STOCKS

	Group 2006 £	2005 £	Company 2006 £	2005 £
Vehicles	32,362,050	26,045,667		
Spare parts	904,785	925,808		
Other stocks	137,264	176,591		
	<u>33,404,099</u>	<u>27,148,066</u>		

The directors consider that there is no material difference between the balance sheet value and replacement cost of each of the above stock categories

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2006

5. DEBTORS

The following are included in the net book value of debtors

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Amounts falling due within one year				
Trade debtors	6,025,480	8,183,115		
Prepayments and accrued income	866,279	1,252,660	88,187	181,993
Amounts due from fellow group undertakings			89,316	31,396
Deferred tax asset (note 8)	256,322	266,985		
Value added tax	685,022			
	<u>7,833,103</u>	<u>9,702,760</u>	<u>177,503</u>	<u>213,389</u>

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2006	2005	2006	2005
	£	Restated (Note 23) £	£	Restated (Note 23) £
Bank overdraft		238,826		
Obligations under finance leases	10,831	17,124		
Obligations under hire purchase agreements		11,234		
Term loan instalments	568,000	568,000	268,000	268,000
Other bank loan	120,000	120,000		
Stocking finance	4,450,000	4,450,000		
Trade creditors	34,973,934	29,476,796		
Amounts due to fellow group undertakings			185,579	448,174
Corporation tax	332,678	45,024	306,865	39,400
Other taxes and social security costs	352,332	349,982		
Other creditors and accruals	3,046,879	2,864,672	566,160	739,466
Value added tax		814,374	16,498	10,672
Obligations under vehicle repurchase agreements		4,827,500		
Accrued preference share dividends	337,500	337,500	337,500	337,500
	<u>44,192,154</u>	<u>44,121,032</u>	<u>1,680,602</u>	<u>1,843,212</u>

The bank overdraft facilities, term loan and other bank loan are secured by floating charges over the assets of the group, standard securities over the freehold properties and letters of offset and cross guarantees with fellow group undertakings. The stocking finance is secured over certain current assets of the company and by cross guarantees from fellow group undertakings.

Following the adoption of FRS 25 'Financial instruments disclosure and presentation', accrued preference share dividends have been reclassified to liabilities.

PEOPLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2006

7. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2006	2005 Restated (Note 23)	2006	2005 Restated (Note 23)
	£	£	£	£
Term loans wholly repayable within five years	617,250	1,305,250	136,000	404,000
Obligations under finance leases	6,388	17,219		
Obligations under vehicle repurchase agreements		9,732,932		
	<u>623,638</u>	<u>11,055,401</u>	<u>136,000</u>	<u>404,000</u>

The company term loan of £404,000 (2005 £672,000) is repayable by five quarterly instalments of £67,000 and one final quarterly instalment of £69,000. Interest is payable at variable commercial rates.

A loan of £196,875 (2005 - £284,375) is repayable by nine quarterly instalments of £21,875. A term loan of £584,375 (2005 £796,875) is repayable by eleven quarterly instalments of £53,125. A further term loan of £120,000 is repayable by one annual instalment of £120,000. At 31 July 2006 £nil (2005 £Nil) was due after more than 5 years. Interest on the above loans is payable at commercial rates.

Obligations under finance leases shown above are due in year's two to five. Obligations under finance lease agreements are secured on the assets obtained under the agreements.

8. DEFERRED TAX

Group	Deferred tax asset
	£
At 31 July 2005	266,985
Charged to profit and loss account (note 17)	(10,663)
At 31 July 2006	<u>256,322</u>

A net deferred tax asset exists at 31 July 2006 and is presented within debtors (see note 5). The analysis of the net deferred tax asset is as follows:

	2006 £	2005 £
Fixed asset timing differences	(279,046)	(268,383)
Losses carried forward	<u>535,368</u>	<u>535,368</u>
	<u>256,322</u>	<u>266,985</u>

The deferred taxation balances have been computed at the expected long term rate of 30% (2005 30%).

Company

The company has no deferred tax provision (2005 £Nil).

PEOPLES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 July 2006

9. FINANCING LIABILITIES

	Number	Par value £	2006 Capital £	2005 Capital £
Authorised share capital				
First preference shares	1,000,000	1 00	1,000,000	1,000,000
Second preference shares	725,000	1 00	725,000	725,000
Fourth preference shares	7,000,000	0 01	70,000	70,000
Total preference authorised share capital			1,795,000	1,795,000
			2006 £	2005 £
Allotted, called up and fully paid				
First preference shares of £1 each	1,000,000	1 00	1,000,000	1,000,000
Fourth preference shares of 1p each	7,000,000	0 01	70,000	70,000
Issue costs of preference share capital			(57,983)	(57,983)
Total preference share capital			1,012,017	1,012,017

The rights attaching to preference shares are set out below

The first preference shares carry a right to a fixed cumulative dividend at 7.5% per annum. The amounts and dates of redemption are subject to the future profitability of the company and the terms and conditions of the company's Articles of Association. First preference shares are redeemable at par.

The first preference shares carry no voting right as long as the dividend payment terms detailed in the Articles of Association are satisfied.

The holders of the first preference shares have an option to acquire 2.5% of the enlarged ordinary share capital at par.

The fourth preference shares carry a right to a fixed cumulative dividend at 3.75% per annum, payable on the same basis as the other preference shares. On a winding up, the fourth preference shares rank pari passu with the first preference shares for the amount of capital contributed and any dividend arrears.

The fourth preference shares carry no voting right as long as the dividend payment terms detailed in the Articles of Association are satisfied.

The fourth preference shares are redeemable between 2007 and 2012 in equal annual amounts.

The holders of the fourth preference shares have an option to acquire 22.5% of the enlarged ordinary share capital at par.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2006

10. SHARE CAPITAL AND RESERVES

a) Share capital

The authorised and issued share capital of the company at 31 July 2006 comprised

	Number	Par value £	2006 Capital £	2005 Capital £
Equity share capital.				
Ordinary shares	992,421	0 10	99,243	99,243
Deferred shares	462,185	0 10	46,218	46,218
Total equity authorised share capital			<u>145,461</u>	<u>145,461</u>
			2006 £	2005 £
Allotted, called up and fully paid				
Equity share capital:				
Ordinary shares of 10p each	189,215		18,922	18,922
Deferred shares of 10p each	110,785		11,078	11,078
Total equity share capital			<u>30,000</u>	<u>30,000</u>

The deferred shares carry no voting rights, dividend rights, priority in winding up or other beneficial rights

The holders of ordinary shares have full voting and dividend rights but no priority on winding up or similar rights

b) Reserves

	Revaluation reserve £	Capital redemption reserve £	Special reserve £	Profit and loss account £	Other reserve £
Group					
At 31 July 2005	305,008	171,040	576,439	(603,200)	3,632,172
Transfer in respect of revalued properties	(1,919)			1,919	
Retained profit for the year				476,855	
At 31 July 2006	<u>303,089</u>	<u>171,040</u>	<u>576,439</u>	<u>(124,426)</u>	<u>3,632,172</u>
Company					
At 31 July 2005		171,040	576,439	4,260,999	3,632,172
Retained profit for the year				889,013	
At 31 July 2006		<u>171,040</u>	<u>576,439</u>	<u>5,150,012</u>	<u>3,632,172</u>

The 'Special reserve' is non distributable as long as any debt of the company existing as at 5 July 1989 remains outstanding. The Other Reserve relates to premiums received upon the issue of preference shares. The capital redemption reserve and the other reserve are non distributable.

The cumulative amount of goodwill resulting from acquisitions in the previous years which has been written off to reserves is £2,387,680 (2005 £2,387,680)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2006

11. RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS

	2006 £	2005 £
Opening shareholders' funds – as previously stated	5,460,976	5,417,024
Prior period adjustment (see Note 23)	(1,349,517)	(1,349,517)
Opening shareholders' funds – restated	4,111,459	4,067,507
Profit for the year	476,855	43,952
Closing shareholders' funds	<u>4,588,314</u>	<u>4,111,459</u>

12. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

a) Capital commitments

The group and the company had no capital commitments at 31 July 2006 (2005 £Nil)

b) Contingent liabilities

The group has granted cross guarantees and indemnities in relation to the overdrafts of group companies and certain other advances and commitments, secured on the assets of group companies. The total secured borrowings of the group are disclosed in notes 6 and 7.

The fourth preference shares attract a redemption premium which is payable on redemption of £0.99 per share, being the difference between the nominal value and amount originally subscribed. This amount is payable following the floatation, disposal or take over of the company and as these events are not anticipated by the directors, the liability is not recognised in the financial statements.

c) Lease commitments

The group leases land and buildings on long term leases. The annual rental on these leases is £866,935 (2005 £866,935). The rent payable under these leases is subject to renegotiation at intervals specified in the leases.

The minimum annual rentals under the aforementioned leases are as follows

	2006 Property £	2005 Property £
Group		
Operating leases which expire less than 1 year	42,185	
between 1 and 2 years		42,185
after more than 5 years	824,750	824,750
	<u>866,935</u>	<u>866,935</u>

The company has no operating leases.

d) VAT

The company is registered for VAT purposes in a group of undertakings which share a common registration number. As a result, it has jointly guaranteed the VAT liability of certain other group undertakings and failure by these other group undertakings would give rise to additional liabilities of the company. The directors are of the opinion that no liability is likely to arise.

13. SEGMENTAL INFORMATION

All of the group's turnover and profit on ordinary activities before taxation were derived from its activities in the United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2006

14. INTEREST PAYABLE AND SIMILAR CHARGES

	2006	2005
	£	£
On bank overdraft and loans		
Repayable within 5 years, by instalments	49,404	76,263
Repayable within 5 years, not by instalments	592,967	568,199
Interest element of finance lease charges	536	827
Interest element of hire purchase charges	264	1,389
Other interest	39,640	38,627
	<u>682,811</u>	<u>685,305</u>

15. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging

	2006	2005
	£	£
Depreciation of tangible fixed assets (note 2)		
Owned assets	634,916	530,441
Held under finance leases and hire purchase agreements	16,893	18,078
Auditors' remuneration	65,000	65,000
Staff costs (note 16)	11,448,019	11,957,306
Operating lease rentals – plant and machinery		
Plant and machinery	2,760	2,760
Other	866,935	468,942
	<u>12,938,723</u>	<u>13,043,526</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2006

16. STAFF COSTS

Employee costs during the year, including those for executive directors, amounted to

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Staff costs during the year (including directors)				
Wages and salaries	10,387,880	10,875,160	579,579	540,144
Social security costs	1,004,855	1,037,035	67,531	61,871
Other pension costs	55,284	45,111	49,212	38,192
	<u>11,448,019</u>	<u>11,957,306</u>	<u>696,322</u>	<u>640,207</u>

The average monthly number of employees in the group during the year was 522 (2005 – 556) The average monthly number of employees in the company during the year was 10 (2005 – 10)

Directors' remuneration

The employee costs shown above include the following remuneration in respect of directors of the company

	2006	2005
	£	£
Remuneration.		
Emoluments	302,693	282,655
Company contributions to money purchase pension schemes	49,212	38,192
	<u>351,905</u>	<u>320,847</u>

Pensions:

The number of directors who were members of pension schemes was as follows

	2006	2005
	No.	No.
Money purchase schemes	<u>2</u>	<u>2</u>

Highest paid director:

The directors' remuneration shown above includes the following in respect of the highest paid director

	2006	2005
	£	£
Emoluments	187,678	177,760
Company contributions to money purchase pension schemes	33,299	22,279
	<u>220,977</u>	<u>200,039</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2006

17. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2006 £	2005 £
United Kingdom corporation tax		
Current tax at 30% (2005 – 30%)	332,678	45,024
Adjustment in respect of prior year	45,134	5,834
	<u>377,812</u>	<u>50,858</u>
Deferred tax (note 8)		
Adjustment in respect of prior years	(30,451)	(25,181)
Current year origination and reversal of timing differences	41,114	99,802
	<u>10,663</u>	<u>74,621</u>
Total tax on profit on ordinary activities	<u><u>388,475</u></u>	<u><u>125,479</u></u>

Reconciliation of current tax charge

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 30% (2005 – 30%) The actual current tax charge for the current and prior years differs from 30% for the reasons set out in the following reconciliation

	2006 £	2005 Restated (Note 23) £
Profit on ordinary activities before tax	865,330	169,431
Tax on profit on ordinary activities at 30%	259,599	50,829
Factors affecting charge		
Permanent differences	(17,508)	(32,434)
Fixed asset timing differences	(10,663)	(74,621)
Preference share dividends	101,250	101,250
	<u>332,678</u>	<u>45,024</u>

18. PREFERENCE SHARE DIVIDENDS

	2006 £	2005 £
Paid and proposed		
First preference shares		
Interim of 3 75p (2005 – 3 75p) per share paid	37,500	37,500
Final of 3 75p (2005 – 3 75p) per share paid	37,500	37,500
Fourth preference shares		
Interim of 1 875p (2005 – 1 875p) per share paid	131,250	131,250
Final of 1 875p (2005 – 1 875p) per share paid	131,250	131,250
	<u><u>337,500</u></u>	<u><u>337,500</u></u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2006

19. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2006 £	2005 £
Operating profit	1,409,401	765,835
Non cash adjustment to prior year fixed asset disposals		(11,110)
Depreciation charges	651,809	548,519
(Increase)/decrease in stocks	(6,256,033)	11,344,346
Decrease in debtors	1,858,994	2,570,255
Increase/(decrease) in creditors	4,867,322	(11,618,120)
Net cash inflow from operating activities	<u>2,531,493</u>	<u>3,599,725</u>

20. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2006 £	2005 Restated (Note 23) £
Increase in cash in year	640,215	3,795,401
Cash outflow from decrease in debt and lease financing	<u>716,358</u>	<u>66,713</u>
Change in net debt resulting from cash flows	1,356,573	3,862,114
New finance leases		(28,430)
Net debt at beginning of year	(7,260,527)	(11,094,211)
Net debt at end of year	<u>(5,903,954)</u>	<u>(7,260,527)</u>

21. ANALYSIS OF NET DEBT

	2005 £	Cash flow £	Maturity of debt £	2006 £
Cash at bank and in hand	479,143	401,389		880,532
Bank overdraft	<u>(238,826)</u>	<u>238,826</u>		
	240,317	640,215		880,532
Debt due within one year	(688,000)	688,000	(688,000)	(688,000)
Debt due after more than one year	(1,305,250)		688,000	(617,250)
Finance leases	(34,343)	17,124		(17,219)
Hire purchase agreements	(11,234)	11,234		
Stocking finance	(4,450,000)			(4,450,000)
Preference shares	<u>(1,012,017)</u>			<u>(1,012,017)</u>
	<u>(7,260,527)</u>	<u>1,356,573</u>		<u>(5,903,954)</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2006

22. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in Financial Reporting Standard 8 not to disclose details of transactions with fellow group undertakings

23. RESTATEMENT

Following the adoption of FRS 25 'Financial Instruments: Disclosure and Presentation', the balance sheets and the profit and loss account have been restated. The result of this change in accounting policy is to reclassify preference share capital from Capital and Reserves to liabilities. The dividends payable on preference shares are now classified as finance costs. The effects of these changes are disclosed in the table below

	2005 £	Adoption of FRS 25 £	2005 Restated £
Consolidated Balance Sheet			
Creditors: amounts falling due in less than one year	(43,783,532)	(337,500)	(44,121,032)
Creditors: amounts falling due after more than one year	(11,055,401)	(1,012,017)	(12,067,418)
Financing liabilities		1,012,017	1,012,017
Share Capital	1,042,017	(1,012,017)	30,000
Other reserve	337,500	(337,500)	
Shareholders' Funds	5,460,976	(1,349,517)	4,111,459
Company Balance Sheet			
Creditors: amounts falling due in less than one year	(1,505,712)	(337,500)	(1,843,212)
Creditors: amounts falling due after more than one year	(404,000)	(1,012,017)	(1,416,017)
Financing liabilities		1,012,017	1,012,017
Share Capital	1,042,017	(1,012,017)	30,000
Other reserve	337,500	(337,500)	
Shareholders' Funds	10,020,167	(1,349,517)	8,670,650
Consolidated Profit & Loss Account			
Profit on ordinary activities before tax	506,931	(337,500)	169,431
Dividends paid and proposed	(337,500)	337,500	
Profit on ordinary activities after tax	43,952		43,952